# Service Plan

## Fiscal Years 2003-2006

BC Transit

**BC TRANSIT SERVICE PLAN**
**FISCAL YEARS 2003/04 — 2005/06**
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**BC Transit's website includes information on all its programs and services**
**www.bctransit.com**


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# BC Transit Systems

**Victoria Regional Transit System**
- Conventional Transit
- Custom Transit

**Municipal Systems**
**Conventional Transit Systems (24)**
- Campbell River
- Central Fraser Valley
- Chilliwack
- Comox Valley
- Cowichan Valley
- Cranbrook
- Dawson Creek
- Fort St. John
- Kamloops
- Kelowna Regional
- Kitimat
- Kootenay Boundary
- Nanaimo Regional
- Nelson
- Penticton
- Port Alberni
- Powell River
- Prince George
- Prince Rupert
- Squamish
- Sunshine Coast
- Terrace Regional
- Vernon Regional
- Whistler

**Municipal Systems**
**Paratransit Systems (22)**
- Agassiz-Harrison
- Boundary
- Castlegar Regional
- Clearwater & Area
- Comox Valley
- Cowichan Valley
- Cranbrook
- Creston Valley
- Fort St. John
- Hazeltons' Regional
- Kaslo
- Kimberley
- Nakusp
- Nelson & Area
- Nelson-Slocan Valley
- North Okanagan
- Okanagan-Similkameen
- 100 Mile House & Area
- Osoyoos
- Pemberton Valley
- Port Edward
- Powell River
- Princeton & Area
- Quesnel & Area
- Revelstoke
- Shuswap Regional
- Smithers & Area
- Squamish
- Summerland
- Sunshine Coast
- Terrace Regional
- Williams Lake

**Municipal Systems**
**Custom Transit Systems (11)**
- Alberni-Clayoquot
- Campbell River
- Central Fraser Valley
- Chilliwack
- Kamloops
- Kelowna Regional
- Kitimat
- Kootenay Boundary
- Nanaimo Regional
- Penticton
- Prince George
- Prince Rupert
- Vernon Regional

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- Powell River
- Prince George
- Prince Rupert
- Squamish
- Sunshine Coast
- Terrace Regional
- Vernon Regional
- Whistler

**Municipal Systems**
**Paratransit Systems (32)**
- Agassiz-Harrison
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- Cranbrook
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- Nanaimo Regional
- Penticton
- Prince George
- Prince Rupert
- Vernon Regional

## MESSAGE FROM THE PRESIDENT

This Corporate Service Plan for the fiscal years 2003/04 – 2005/06 provides a description of the goals, objectives and strategies that will guide the action plans and activities of the Authority over this three-year period.

The key challenges are to continue to meet the diverse needs of our customers and the priorities of more than fifty municipal partners within the context of tight financial resource availability, significant cost increases in some central budget elements and growing demand for service province-wide.

The BC Transit Board of Directors has initiated an extensive process of consultation under the general title of "Funding and Service Strategy Review". Initial work has focused on interim action required to maintain existing priority transit services, approved by the local government partners, within current funding levels through 2003/04. The larger component of this work, however, is focused on an examination of sustainable funding and governance models for 2004/05 and beyond. The Board's goal is to present recommendations to the provincial government on sustainable funding and governance that reflect the range of needs of the more than 50 municipal partners, build on the strengths of the current transit partnership, improve efficiency and enhance local government control.

A number of options for overseeing the development and delivery of transit services in British Columbia, outside Greater Vancouver, have been prepared and are described in the report "Funding and Service Strategy Review – Phase 2", available from our offices or on our website. Readers of this Service Plan are also encouraged to review the above document to obtain the added appreciation of the issues and options under consideration.

Consistent with the requirements of the *Budget Transparency and Accountability Act*, this Service Plan lays out the strategy and corporate actions that will be undertaken during this planning period whether or not the Status Quo funding plan, as contained in BC Transit's approved budget, or a new funding and governance framework, is established. Alternate service delivery and program management strategies proceed regardless, with a focus of improved customer service, cost management, safety and support for the community and fiscal objectives of the Province and our local government partners.

The next few years will present complex challenges and potentially, significant changes for BC Transit. This plan lays out the framework and major strategies to successfully meet these realities.

R. H. Irwin,
President and CEO

## ORGANIZATIONAL OVERVIEW

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia (outside Greater Vancouver). Its mandate includes planning, funding, marketing and operating transit systems — either directly or indirectly — in partnership with local government. According to the *British Columbia Transit Act* (Section 3.1) the Corporation is to:

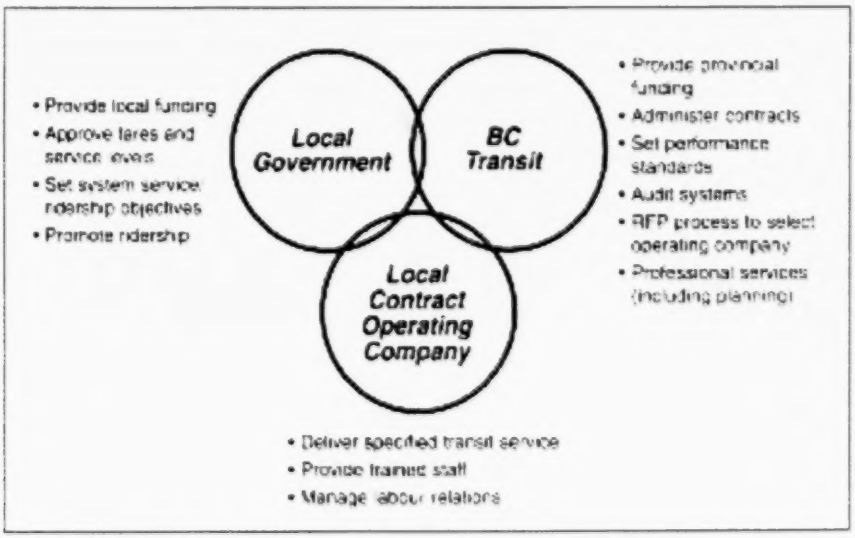
> ***... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."***

The scope of BC Transit's program is:

- 37 million passengers carried annually
- 52 transit service areas — 1.6 million people served in BC
- $127.6 million annual expenditures - $118 million annual operating budget and $9.6 million in provincial debt service funding
- fleet of 700 buses and vans

BC Transit works as a provincial/local government/private partnership — one that benefits from a strong component of local government decision-making and private sector expertise.

**BC Transit's Public-Private Partnership**


• Provide local funding
• Approve fares and service levels
• Set system service, ridership objectives
• Promote ridership
Local Government
BC Transit
Local Contract Operating Company
• Provide provincial funding
• Administer contracts
• Set performance standards
• Audit systems
• RFP process to select operating company
• Professional services (including planning)
• Deliver specified transit service
• Provide trained staff
• Manage labour relations

In 90% of its service areas, private companies or non-profit societies provide transit under contract to the Corporation and the local government authority. BC Transit puts most systems out to competitive tender every five years, bringing the discipline of the marketplace to bear on service delivery. Through its shared services, the specialized skills of the Corporation's professional staff — which encompass all facets of public transportation including planning and scheduling, fleet and facility procurement, administration, marketing, human resources, financial services and contract management — are made available to local government (where this expertise is not currently available).

Three types of public transit are provided:

- conventional transit - mid-sized or large bus, fixed route, fixed schedule service
- custom transit - for those who cannot use conventional transit because of a disability, handyDART door-to-door service, contracted taxi supplement and Taxi Saver programs, and
- paratransit - small bus service for both conventional and custom transit passengers in less densely populated towns and rural areas.

## STRATEGIC CONTEXT

### Vision

In recognition of the pivotal role public transportation has to play in sustaining vibrant, healthy communities, BC Transit's vision is for the:

> ***Development of transit services, in partnership with each community, to provide essential mobility and travel choice for all residents, where costs of traffic congestion are reduced, air quality and associated health benefits enhanced, more compact and efficient urban development supported and costly new roadway construction deferred.***

### Mission

BC Transit's mission statement integrates the Corporation's purpose, products and client base:

> ***To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities served.***

**Values and Governance Framework**

BC Transit strives to ensure that the many benefits of public transportation —providing citizens with access to jobs, education and health care; reducing transportation infrastructure and traffic congestion costs; contributing to improved air quality; and enhancing community and regional development — are realized to the fullest extent possible. BC Transit manages within the governance framework defined by the BC Transit Act and is guided by the following core values:

***Joint Provincial - Local Government Representation on the Board of Directors—***

The Corporation is governed by a seven-member Board of Directors, appointed by the province according to the BC Transit Act which requires four of the Board members to be municipally-elected representatives. The Chair reports to a provincial cabinet minister (see illustration in Appendix "A").

***Strong and Transparent Local Decision-Making —***

The local partners in the transit program, including Regional Districts, Municipalities and the Victoria Regional Transit Commission, set fares and local taxes, establish bus routes and set service levels, and raise the local share of the annual budget for transit in their local transit service areas. The partners also approve the local share of the annual budget each year in open Council / Board / Commission sessions and recommend approval of the annual budget to the BC Transit Board of Directors.

***Other Core Values —***

- Partnerships and cooperation with business, citizens, labour and local government in the provision of transit services
- Ensuring safety and security for customers, staff and the public
- A market focus to maximize service convenience and appeal to transit riders
- Sound financial practices, and a competitive tender process to ensure the highest value is received for dollars spent
- Environmental stewardship through environmentally-responsible purchasing practices and facilities, as well as support for community agencies that encourage environmentally-responsible transportation.

**Strategic Issues: Challenges, Opportunities and Risks**

Last year's Service Plan presented several factors expected to characterize BC Transit's external environment in the coming years. Foremost was a requirement for fiscal restraint due to provincial funding changes, and a need for BC Transit to reassess its strategies within the context of the new provincial administration's priorities. The plan noted as well the importance of reconsidering BC Transit's role within the emerging North American transportation paradigm that emphasizes the integration of public transit with all the other modes of the transportation system.

While the external influences foreseen for the next three years have not diverged in any significant way from those described above, the strategic issues facing the Corporation have now come into sharper focus. They are as follows:

***Provincial Fiscal Restraint and the Need for a New and Sustainable Funding and Governance Framework —***

Looking ahead the single most important challenge for BC Transit is securing sustainable funding and adopting a governance framework that supports the needs of the diverse communities served.

The Province of BC has protected BC Transit's annual funding at $54.3 million, consisting of $44.7 million operating budget, and $9.6 million in debt servicing costs. This represents approximately 43% of total program costs of $127 million. The government has indicated that in future years provincial funding will remain at this level, and there will be no new provincial funds to address annual cost increases or service expansion. Once all possible efficiencies have been made, any shortfall in funding must either be bridged by an increased local share, or transit services must be reduced.

In total there is a need for $11.7 million more funding annually by 2005/06 — an increase of approximately 10% — to meet forecast cost increases and locally-approved expansion plans.

In the short term steps are being taken to find efficiencies throughout all of BC Transit's programs and services. In the longer term the ability of BC Transit to fulfill its mission in supporting the economic, environmental and health goals of the communities it serves will be jeopardized — unless a new and sustainable financing and governance arrangement is established.

***Delivering a Transportation Planning Program That Accommodates Provincial Fiscal Targets While Responding to Local Priorities —***

BC Transit is working with a number of local and regional governments in the development of their community and transportation plans and strategies. Land use / development decisions and the resulting community activity levels and patterns are the key drivers of demand for regional transportation service. Transport investment and services are effective tools in supporting desired growth and limiting sprawl. Transit

plans, short and long term, now form a key element in the strategies for land use and economic development in all regional centres in BC. Specific program work in this area is underway in the Capital Region, Central Okanagan, Kamloops, Nanaimo and the Central Fraser Valley.

***Working in Support of the Vancouver 2010 Olympic Bid —***

Whistler and BC Transit work in partnership delivering transit service in the resort municipality. The Corporation is participating in the Whistler Transportation Work Group of the Vancouver 2010 Winter Olympic Bid. This work group is one of three committees developing transportation strategies for the Vancouver 2010 Bid. BC Transit has developed a service concept and operations plan that provides volunteer and spectator movement to and from the four major sports venues in Whistler. BC Transit will continue to assist in the development and delivery of a fleet plan.

***Pursuing Senior Government Support for Urban Transportation —***

Canada is the only G-8 country without an urban transportation funding program at the federal level. Early announcements have indicated this may be about to change. The Prime Minister's Caucus Task Force on Urban Issues released its report in late 2002. It calls for the creation of a National Transportation Program that would include long-term, sustainable funding for transit, and strategic investments in "multi-modal" transportation systems.

It can be virtually assured that any new federal funding will initially be directed to infrastructure investments. Securing new capital funding support from the federal government may nonetheless represent an important opportunity for BC Transit to limit the pressures for increases in fiscal contributions of provincial and local authorities in the coming years, while providing improved services to expanding markets.

***Financial Assumptions and Risks —***

There are a number of risks associated with the budget development process for transit services. Volatility in fuel prices, expiring collective agreements and rapidly increasing insurance costs are among the most important. (During the past two years, for example, increases in fuel, labour and insurance alone added approximately $2.0 million to operating costs.) In the coming year, cost increases in the order of $ 3.2 million are anticipated in these expenditure areas.

Funding constraints for BC Transit and its partners will represent the greatest risk for transit service over the next three years, and will limit the ability of transit service providers to respond appropriately to new and growing markets. Transit risks becoming irrelevant in meeting the travel needs of a significant portion of the market it now serves if services deteriorate due to inadequate funding.

A more detailed discussion of these and other financial risks is included in the Summary Financial Outlook section commencing on page 17.

### *Market-Based Risks*

The other major type of risk that influences transit performance is market-based. Transit is a derived demand, and changes in employment, economic activity and access to public services impact transit usage. In the next three years it is expected that fluctuations in employment levels, as well as centralization and adjustments in the delivery of health, education and justice services will all continue to affect ridership patterns, particularly in smaller and resource-based communities. How these influences affect transit performance will vary greatly from one region or transit system to another. Closer monitoring of performance, and more rapid and innovative responses to these external trends will be required.

## CORPORATE GOALS AND OBJECTIVES

BC Transit has identified three goals essential to achieving success in its vision of mobility and travel choice for all residents. Three year objectives are also defined for each goal.

### GOAL 1: Funding and Governance

**Establish a new and sustainable funding and governance framework.**

Objectives:

- Develop a new sustainable funding and governance framework to accommodate future cost increases and local system expansion priorities.
- Support local government partners and the provincial government in their efforts to secure an agreement for federal funding for public transit.

### GOAL 2: Service Delivery

**Maximize the efficient and cost-effective use of resources in the provision of safe, innovative and customer-oriented services to meet present and evolving market demands.**

Objectives:

- In the Victoria Regional Transit System in the first year of the Service Plan, plan and deliver service to transit's increasing ridership base within the protected level of provincial funding, and without material changes to local taxes, fares or cost-sharing.

- In the Municipal Systems Program in the first year of the Service Plan address the shortfall of $2.3 million necessary to fund existing and planned service levels.

- In the following two years, plan and deliver transit services that meet local priorities within a new sustainable funding and governance framework in Victoria and the Municipal Systems.

- Improve workforce productivity, efficiency and effectiveness.

- Improve transit safety for passengers and transit workers, and reduce the costs of transit-related accidents.

- Improve the acquisition and utilization of available resources through enhanced management information systems, streamlined business processes and optimization of fleet and facilities.

**GOAL 3: Community Development**

**Plan and deliver transit services that meet local land-use and growth priorities, while furthering the development of safe, healthy communities and a sustainable environment.**

Objectives:

- Identify and adopt new technologies and service delivery methods that enhance customer service, environmental quality and the community benefits of transit.

- In the Victoria Regional Transit System, support the Capital Regional District's Regional Growth Strategy.

- In the Municipal Systems Program, support local and regional government community planning initiatives and municipal empowerment as envisaged in the new Community Charter.

- Support the development of an Urban Transportation Showcase proposal for the Victoria area.

## CORPORATE STRATEGIES

### GOAL 1: FUNDING AND GOVERNANCE STRATEGIES

***Service Strategy and Funding/Governance Review—***

In October 2002, BC Transit's Board of Directors initiated a review of the funding and service strategy of the Corporation. The ever-increasing demand for transit and the challenge of funding existing and expanded transit services prompted this review.

Phase 1 of the review focused on the interim actions required to address the challenge of funding existing and planned transit services in 2003/04 given funding constraints. In this regard the Board approved the following sequence of strategies:

- find efficiencies through cost containment and cost reduction initiatives, the RFP process, new service delivery options and service planning to better match service levels to demand;

- eliminate low priority service; and

- provide flexibility in the funding formula by submitting to government a proposal to amend the BC Transit funding regulation through an Order-in-Council prior to the end of March 2003. This would provide an option for local governments to fund a higher percentage of transit costs or suggest alternative ways to support transit service if required savings are not achieved through the strategies listed above.

In Phase 2, underway at the time of writing this Service Plan, local governments are being asked to identify issues and priorities regarding how best to secure necessary funding support for transit in their communities in future years.

BC Transit's Board of Directors will then make a recommendation to the provincial government regarding a new and sustainable funding and governance model. Legislation, if required, would be drafted for consideration in the legislature, with implementation of the new funding and governance framework targeted for fiscal 2004/05.

***Pursue New Federal Funding for Public Transit —***

BC Transit is actively working with the Canadian Urban Transit Association, the Federation of Canadian Municipalities and others in encouraging the federal government to formulate a national transportation strategy designed to renew urban infrastructure, improve air quality and contribute to improved mobility within Canadian cities.

## GOAL 2: SERVICE DELIVERY STRATEGIES

***Funding and Governance Assumptions —***

The BC Transit Board has approved the development of **a New Funding and Governance Framework Scenario** for inclusion in this Service Plan in addition to the Status Quo Funding Plan (the corporate budget plan for 2002/03 – 2005/06). The assumptions for the New Funding and Governance Framework Scenario are as follows:

- The provincial operating contribution is protected at the level of $44.7 million over the plan period. Provincial debt subsidies increase from $9.7 million in 2003/04 to $10.9 million in 2005/06. Service levels in 2003/04 will be the same as under the Status Quo Funding plan for the Victoria Regional Transit System. As described above, in the Municipal Systems Program a flexible funding formula is being considered as an interim solution to allow municipalities to pay more to maintain existing services and in a few locations to allow for minor expansion of services next year.

- Annual cost increases and service expansions desired by local government to meet local community plans and priorities in years two and three (2004/05 and 2005/06) would be covered under the terms of a new sustainable funding and governance framework. This would increase annual program expenditures by $11.7 million. The new agreement would have been negotiated by BC Transit on behalf of the provincial government and local government partners.

The **Status Quo Funding Plan** is included in the corporate budget presented by BC Transit to the provincial government. It is based on the following assumptions:

- The provincial operating contribution is protected at the level of $44.7 million over the plan period. Provincial debt subsidies increase from $9.7 million in 2003/04 to $10.9 million in 2005/06.

- There will be no new provincial operating funds available to address inflationary cost increases and transit expansion priorities. Owing to funding constraints, service hours will decline.

- The fuel tax surcharge of 2.5 cents/litre collected by the provincial government in the Capital Region for the Victoria Regional Transit Commission will remain at the existing level.

***New Funding and Governance Scenario: Victoria Regional Transit System and Municipal Systems Program Service Plans —***

New funding, and associated governance changes are critical to the success of transit in meeting the goals of community partners and the provincial government in the Victoria Region and the Municipal Systems Program.

With a new funding and governance framework in place, the **Victoria Regional Transit System** could undergo modest expansion to address growing demand in existing corridors and develop new services and priority measures to attract additional market share. These investments would improve transit service and ridership as anticipated by municipal partners and the Capital Regional District's Regional Growth Strategy.

For the **Municipal Systems Program**, this scenario would provide a 6.4% increase over the existing level of service, and is required to meet local government priorities. Transit expansion plans approved by municipal governments reflect the importance of transit's benefits to community development and other objectives.

The demand for transit spans a wide range of communities encompassing all geographic regions of the province. This includes moderate expansion in existing rural, small town and larger urban communities as well as new transit systems in small towns and rural areas. This expansion will require a new funding and governance arrangement in order to proceed.

***Status Quo Funding Plan: Victoria Regional Transit System and Municipal Systems Program Service Plans —***

If limited by status quo funding, transit could not meet the expectations of the public, and the objectives of the Regional Growth Strategy in the Capital Region and transit plans approved by municipal partners throughout BC. Public dissatisfaction with transit services would increase rapidly and the local travel market would erode.

In the **Victoria Region** transit service would quickly decay as costs are constrained. In 2003/04 some reallocation of services would occur to reduce less effective service and provide resources for modest improvements to routes and corridors experiencing overcrowding. In the next two years cuts would be increasingly severe and this would reduce the viability of transit as an alternative travel source.

Status quo funding in the **Municipal Systems Program** would also result in some significant service reductions — in total 9% of the existing service would have to be eliminated by 2005/06. The nature of these changes for 2003/04 and 2004/05 is outlined in the Funding and Service Strategy reports prepared individually for each local government partner by BC Transit. They reflect the strategy-sequence framework approved by the BC Transit Board — finding efficiencies and eliminating low priority service —described earlier.

***Other Service Delivery Strategies —***

In addition to the service development/reduction strategies for Victoria and the Municipal Systems Program described above, the following key strategies are being advanced for the next fiscal year and beyond to enhance service quality, achieve cost containment and improve public safety.

***Implement Workforce Productivity and Human Resource Cost-Containment Measures —***

Negotiations for the renewal of collective agreements that expire during the plan period will include cost containment and workforce efficiency objectives.

***Enhance Safety Training and Accident Prevention —***

BC Transit plans to reduce Workers' Compensation claims in its direct operations through targeted risk assessment and related improvements. Safety and training will continue to be carefully evaluated in the Municipal Systems competitive bidding process. Steps will be taken as well to reduce motor vehicle accident rates through a combination of incentives and accident follow-up procedures.

***Public-Private Partnerships (P3s) —***

BC Transit is recognized as a North American leader in the use of service contracts with private organizations for transit. The Corporation administers a Request for Proposal (RFP) process to select transit management companies in most communities participating in the transit program. BC Transit will continue to refine and apply the RFP process during this plan period in order to achieve the maximum benefit of the P3 strategy.

***Implement Enterprise-Wide Management Systems, Business Process Improvements, and Fleet and Facility Efficiencies —***

The renewal and improvement of BC Transit's enterprise-wide management systems will be a focus of BC Transit's administration next year. The Corporation manages fleet and facilities for Victoria and its transit partners, and in this area all procedures and business practices are under review to improve cost efficiency through implementation of new technology or revised procedures, and optimization of fleet and facility utilization.

## GOAL 3: COMMUNITY DEVELOPMENT AND ENVIRONMENTAL STRATEGIES

***Sustainable Environmental Activities —***

The Corporation will continue to participate with TransLink and Ballard Power Systems in the testing of next generation diesel engines.

Through its shared services concept, BC Transit purchases transit fleet for all transit systems outside the Lower Mainland, providing for cost-effective, state-of-the-art technologies to minimize fuel consumption and emissions, and enhance passenger comfort and safety. BC Transit also addresses fuel consumption through its shared purchase of fuel which guarantees that all transit systems are using the highest grade, lowest sulphur diesel fuel available. Fuel consumption will also be reduced through enhanced operator training.

***Technology and Improved Customer and Stakeholder Information —***

Capital expenditures are planned to improve transit information for customers through a variety of media, accessible from static or mobile locations. Technology, such as traffic control systems linked to automated bus information, will also play a greater role in improving transit's operations on increasingly congested streets.

***Planning and Transportation Demand Management Initiatives —***

BC Transit is assisting the Capital Regional District in the development of a regional transportation strategy. As well BC Transit is responsible for funding and managing a vanpooling initiative in the region. As expectations are increasing, funding for other ridesharing and transportation demand management initiatives will need to be formalized.

In the Municipal Systems the planning program provided by BC Transit on behalf of its municipal partners also focuses on supporting regional and community development objectives, while encouraging alternatives to single-occupant vehicle travel.

***Urban Transportation Showcase Program***

BC Transit is working with the City of Victoria, other area municipalities and public agencies in the preparation of a submission to the federal government's Urban Transportation Showcase Program. The Victoria submission in the first round of the Showcase evaluation was one of 15 selected by an independent review panel out of a total of 47 received. At this second stage each proposer can receive up to $30,000 in federal funding to prepare a detailed Expression of Interest. The Showcase evaluation panel will be selecting 4 to 6 from the 15 to carry out their Showcase Program. The finalists will be eligible for their approved Showcase initiative.

## ALIGNMENT WITH GOVERNMENT'S PRIORITIES

BC Transit's programs and services support the priorities of the provincial government's 2002-2005 Strategic Plan as follows:

- A strong and vibrant provincial economy — BC Transit provides necessary access for citizens to jobs, job retraining, health services and education, and manages its services in an efficient and effective manner.

- Safe, healthy communities and a sustainable environment — BC Transit contributes to improved environmental quality by reducing traffic congestion, supporting growth strategies and experimenting with new environmentally-friendly technologies.

- BC Transit's funding and local government partnership — and initiative to develop a new sustainable funding and governance framework — is positioned to support the Community Charter and increased autonomy for local government.

- By early 2003, BC Transit will have confirmed its role — in conjunction with the Whistler Transportation Committee — in the provision of local transportation vehicles and services as part of the 2010 Vancouver/Whistler Olympics Transportation Plan. Should the Vancouver/Whistler bid be successful, BC Transit would be involved in operational planning of the Whistler component of the Games beginning later in 2003.

## SUMMARY FINANCIAL OUTLOOK

### Funding and Cost Sharing

The Regulations of the *BC Transit Act* set out the formulae for sharing transit costs. The provincial government provides BC Transit's portion out of general revenues. The municipal share is made up of revenue from fares, advertising and property taxes, as well as fuel taxes in the case of the Victoria Regional Transit Service area.

The proportion of total expenditures paid for by fares varies from one transit system to another, and is significantly higher for conventional than custom/paratransit services. The greater the proportion of costs covered by fares, the lower the amount of taxes that must be collected by local governments to cover their share of costs.

As previously noted, provincial funding will increase from $54.3 million in 2003/04 to $55.6 million in 2005/06. The increase is attributable to debt service costs. Operating contributions are fixed over the plan term. The New Funding and Governance budget scenario and the Status Quo Funding Plan are presented below.

## Financial Assumptions, Risks and Risk Management

Both budget scenarios assume the following costs:

- materials and services inflation as per the Second Quarter BC Economic Review and Outlook of 2.0% - 2.1% over the three-year plan period
- fuel costs of $US 26.00 bbl in 2003/04 (currently $21.50) plus general inflation in the following two years
- insurance costs increasing by 15% in 2003/04 plus general inflation in the following two years
- in the Victoria Regional Transit System, inflation reflects contractual increases in collective agreements to March 31, 2004
- in the Municipal Systems Program, inflation reflects known contracts (collective agreements, contract terms with operating companies, building leases etc.) and a 1% increase in variable operating costs for those systems subject to an RFP process to select a transit management company.

The key risk factors and sensitivities are summarized below.

**Risk Factors and Sensitivities**
Corporate Summary

| Risk Factor | | Dollar Exposure | | |
|---|---|---|---|---|
| | | Victoria | Muncipal Systems | Total |
| Fuel | $1.00 US/bbl | $68,900 | $83,100 | $152,000 |
| Maintenance Parts Pricing | 1% | $28,540 | $32,360 | $60,900 |
| Currency exchange | 1 cent | $73,600 | $85,040 | $158,640 |
| Insurance | 1% | $9,300 | $7,580 | $16,880 |
| Benefits | 1% | $66,800 | | $66,800 |
| RFP Process | 1% | | $89,900 | $89,900 |
| Victoria Regional Transit System Collective Agreements | 1% | $337,300 | | $337,300 |
| Interest Rates - New Issues | 1% | | | $110,000 |

These risks will be mitigated by the corporate strategies described earlier, notably:

- collective bargaining and human resources cost-containment measures
- bulk fuel and parts purchases
- competitive RFP processes in transit operating companies
- improved enterprise-wide management systems
- enhanced safety and accident prevention programs
- shared-service insurance coverage through a captive insurance company jointly owned by BC Transit and TransLink
- timing of debt placement through Ministry of Finance

## Operating Budget Summaries

Table 1 below presents the corporate budget summary for the New Funding and Governance Scenario. Service hours would grow from a level of 1.6 million in 2003/04 to 1.7 million by 2005/06.

Total expenditures over the three-year period are projected to increase by 9% from a level of $129.0 million to $141.1 million, with the increased costs borne by local government or other direct revenue sources. The total provincial government operating transfer would remain constant at $44.7 million.

**Table 1: Corporate Budget – New Funding/Governance Scenario**

Service Plan - Corporate Summary Expansion Funding
*(Figures in thousands)*

| | 2002/03 Revised Estimate | 2003/04 Current Forecast | 2004/05 Current Forecast | 2005/06 Forecast |
|---|---|---|---|---|
| **Estimates** * | | | | |
| Victoria Operating Costs | 48,237 | 49,709 | 51,656 | 53,180 ** |
| Municipal Systems Operating Costs | 55,414 | 55,994 | 58,806 | 61,823 |
| Debt Servicing - Local Share | 12,036 | 13,602 | 14,880 | 15,248 |
| Provincial Debt Service Subsidy | 8,674 | 9,669 | 10,624 | 10,873 |
| **Total Expenditures** | **124,361** | **128,974** | **135,965** | **141,123** |
| * Service plan financial tables exclude transactions incurred external to the Victoria Regional Transit System and the Municipal Systems Program. These expenditures are funded from sources external to the Provincial operating grant as they do not comprise a component of BC Transit's core operations. Details of these transactions are disclosed in quarterly reports and the audited year-end financial statements. | | | | |
| ** includes $50,000 for Skytrain Expo Line Inspection *(100% province funded)* | | | | |
| **Provincial Government Transfer** | | | | |
| Provincial Operating Contribution | 44,577 | 44,683 | 44,691 | 44,740 * |
| Provincial Debt Service Subsidy | 8,674 | 9,669 | 10,624 | 10,873 |
| **Total Provincial Government Transfer** | **53,251** | **54,352** | **55,315** | **55,613** |
| * includes $50,000 for Skytrain Expo Line Inspection *(100% province funded)* | | | | |
| **Service Hours** | | | | |
| Victoria Regional Transit System | 673 | 672 | 701 | 728 |
| Municipal Systems Program | 914 | 896 | 935 | 970 |
| **Total Service Hours** | **1,587** | **1,568** | **1,636** | **1,698** |
| **Passengers** | | | | |
| Victoria Regional Transit System | 19,796 | 20,015 | 20,313 | 20,764 |
| Municipal Systems Program | 17,815 | 17,747 | 18,661 | 20,043 |
| **Total Passengers** | **37,611** | **37,762** | **38,974** | **40,807** |

Table 2 illustrates how much of the increased costs would be due to service expansion. To fund the expanded service, the local share is forecast to increase from a level of $74.62 million in 2003/04 (of which $1.5 million would be for expanded service) to a total of $85.51 million (of which $11.7 million would be for new service) by 2005/06.

**Table 2: New Funding/Governance Scenario – Local Share**

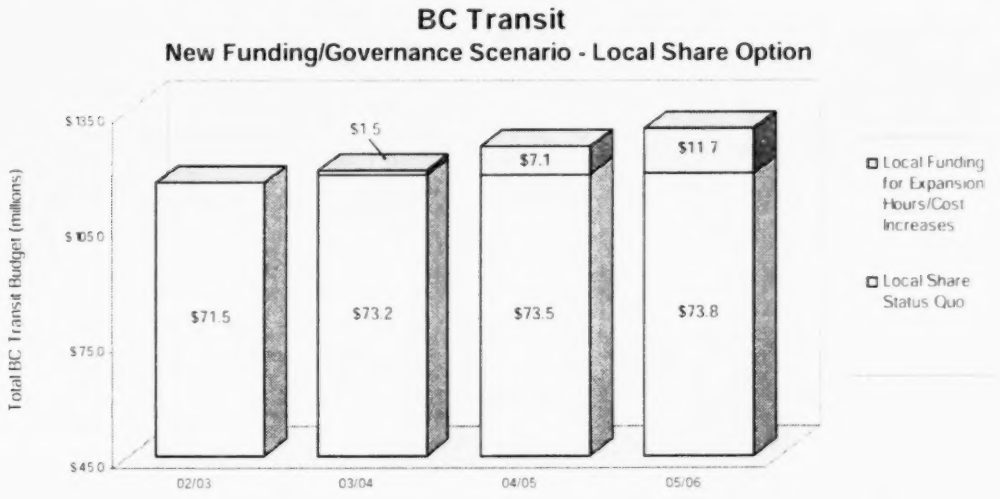



Table 3 on the following page is consistent with the corporate budget presented to government in October 2002, and represents forecast costs and revenues if the new funding scenario does not proceed.

From 2003/04 to 2005/06, expenditures would grow by less than 1% from a total of $127.5 to $129.0 million. Service hours would decrease from 1.52 million to 1.49 million, while ridership decreases in the first year from current (02/03) levels in response to service reductions. In years 2 and 3 there is a partial recovery as remaining resources are re-allocated and targeted to address core markets and growth opportunities in some of the larger centres. The provincial transfer would remain constant at the level of $44.7 million for annual operations plus the provincial share of debt servicing.

**Table 3: Corporate Budget – Status Quo Funding**

| Service Plan - Corporate Summary Status Quo Funding *(Figures in thousands)* | 2002/03 Revised Estimate | 2003/04 Current Forecast | 2004/05 Current Forecast | 2005/06 Forecast |
|---|---|---|---|---|
| **Estimates** * | | | | |
| Victoria Operating Costs | 48,237 | 49,709 | 49,370 | 49,248** |
| Municipal Systems Operating Costs | 55,414 | 54,521 | 54,485 | 54,429 |
| Debt Servicing - Local Share | 12,036 | 13,620 | 14,352 | 14,838 |
| Provincial Debt Service Subsidy | 8,674 | 9,685 | 10,123 | 10,484 |
| **Total Expenditures** | **124,361** | **127,535** | **128,331** | **128,999** |
| * Service plan financial tables exclude transactions incurred external to the Victoria Regional Transit System and the Municipal Systems Program. These expenditures are funded from sources external to the Provincial operating grant as they do not comprise a component of BC Transit's core operations. Details of these transactions are disclosed in quarterly reports and the audited year-end financial statements. | | | | |
| ** includes $50,000 for Skytrain Expo Line Inspection *(100% province funded)* | | | | |
| **Provincial Government Transfer** | | | | |
| Provincial Operating Contribution | 44,577 | 44,683 | 44,691 | 44,740 * |
| Provincial Debt Service Subsidy | 8,674 | 9,685 | 10,123 | 10,484 |
| **Total Provincial Government Transfer** | **53,251** | **54,367** | **54,814** | **55,224** |
| * includes $50,000 for Skytrain Expo Line Inspection *(100% province funded)* | | | | |
| **Service Hours** | | | | |
| Victoria Regional Transit System | 673 | 672 | 667 | 661 |
| Municipal Systems Program | 914 | 843 | 835 | 830 |
| **Total Service Hours** | **1,587** | **1,515** | **1,502** | **1,491** |
| **Passengers** | | | | |
| Victoria Regional Transit System | 19,796 | 20,015 | 20,216 | 20,431 |
| Municipal Systems Program | 17,815 | 16,573 | 16,643 | 16,918 |
| **Total Passengers** | **37,611** | **36,588** | **36,859** | **37,349** |

## Service Performance Measures Summary by Year – Tables 4 and 5

Tables 4 and 5 highlight the performance trends and targets for the Victoria Region and the Municipal Systems program over the three-year plan period. The measures used are consistent with standard industry reporting across North America and provide a constant basis for measuring service performance trends and benchmarking against other systems. These tables present the projected results for each program area assuming the new funding and governance framework is achieved by April 1, 2004 (for years 2 and 3).

### Victoria Region

Under the new funding and governance framework, service levels are projected to grow slightly in years 2 and 3. Service effectiveness (rides/hour) remains constant as new services begin to build new ridership and existing services continue to gain. Operating costs per hour in 2003/04 increase in response to extraordinary increases in key areas such as fuel, insurance, employee benefits and parts. In years 2 and 3, the cost per hour

begins to decline based on assumptions that the extraordinary price changes noted above are not repeated and cost management initiatives show results.

System ridership is projected to increase 5% over the three years or some 970,000 riders by 2005/06 above current year levels and 330,000 rides above the status quo budget plan.

Custom transit service hours increase from 102,000 to 130,000 hours and ridership jumps by almost 30% in response to steady growth in handyDART services and the introduction of community paratransit services in a half-dozen rural and suburban (off-peak) service areas.

The precise performance targets for passenger and employee safety will be established based on the year end actual results for 2002/03. The measures and associated targets in relative terms are as follows:

- Employee safety – WCB Claims – reduce number of claims by 5% below 2002/03
- Passenger safety – preventable accidents – reduce by 5% below current year actual by 2005/06.

Both measures are tracking at or near historic lows through the third quarter of 2002/03.

**Table 4: New Funding/Governance Scenario – Victoria Regional Transit System**

| Performance Measures and Benchmarks<br>Victoria Regional Transit System | 2002/03 Target | 2002/03 Forecast | 2003/04 Projection | 2004/05 Projection | 2005/06 Projection |
|---|---|---|---|---|---|
| **CONVENTIONAL** | | | | | |
| SERVICE EFFECTIVENESS | | | | | |
| Service Hours *(thousands)* | 570 | 573 | 570 | 583 | 598 |
| Revenue Passengers *(thousands)* | 18,500 | 19,455 | 19,650 | 19,900 | 20,300 |
| Revenue Passengers / Service Hour | 32.5 | 34.0 | 34.5 | 34.1 | 33.9 |
| COST EFFICIENCY | | | | | |
| Total Cost Recovery | 43.5% | 44.7% | 42.9% | 42.2% | 42.2% |
| Operating Cost Per hour | $76.19 | $75.97 | $79.01 | $78.92 | $78.27 |
| Cost per Revenue Passenger | $2.70 | $2.56 | $2.67 | $2.71 | $2.71 |
| **CUSTOM** | | | | | |
| SERVICE EFFECTIVENESS | | | | | |
| Service Hours *(thousands)* | 102 | 101 | 102 | 118 | 130 |
| Revenue Passengers *(thousands)* | 351 | 341 | 365 | 413 | 464 |
| Revenue Passengers / Service Hour | 3.4 | 3.4 | 3.6 | 3.5 | 3.6 |
| COST EFFICIENCY | | | | | |
| Total Cost Recovery | 8.2% | 7.5% | 7.6% | 6.3% | 6.0% |
| Operating Cost Per hour | $48.19 | $47.00 | $45.84 | $47.83 | $49.03 |
| Cost per Revenue Passenger | $14.73 | $14.63 | $13.72 | $14.56 | $14.57 |

*Custom ridership includes Taxi Saver Program*

## Municipal Systems Program

Service effectiveness (rides/hour) continues to improve each year reaching a historic program high of 26.0 by 2005/06. As a result, costs per passenger increases marginally even though costs per service hour are effected by the same extraordinary increases in year 1 as noted above.

After significant reductions in year 1, service hours are increased in years 2 and 3 under the new funding and governance framework. Program ridership for conventional and custom transit combined grows to 20.0 million, an increase of 2.3 million annual riders or 13% over the plan period and 3.1 million riders above the status quo funding plan by 2005/06. With services implemented to meet new and rapidly growing markets in several regional centres in BC, costs per service hour will increase at less than the rate of inflation in years 2 and 3.

**Table 5: New Funding/Governance Scenario – Municipal Systems Program**

| Performance Measures and Benchmarks<br>Municipal Systems Program | 2002/03 Target | 2002/03 Forecast | 2003/04 Projection | 2004/05 Projection | 2005/06 Projection |
|---|---|---|---|---|---|
| **CONVENTIONAL** | | | | | |
| SERVICE EFFECTIVENESS | | | | | |
| Service Hours *(thousands)* | 676 | 675 | 656 | 687 | 718 |
| Revenue Passengers *(thousands)* | 15,817 | 16,509 | 16,440 | 17,301 | 18,646 |
| Revenue Passengers / Service Hour | 23.4 | 24.4 | 25.1 | 25.2 | 26.0 |
| COST EFFICIENCY | | | | | |
| Total Cost Recovery | 32.8% | 34.3% | 34.1% | 34.3% | 35.0% |
| Operating Cost Per hour | $64.44 | $64.63 | $67.14 | $67.33 | $68.13 |
| Cost per Revenue Passenger | $3.07 | $2.93 | $2.99 | $3.00 | $2.94 |
| **CUSTOM** | | | | | |
| SERVICE EFFECTIVENESS | | | | | |
| Service Hours *(thousands)* | 240 | 238 | 240 | 249 | 252 |
| Revenue Passengers *(thousands)* | 1,300 | 1,306 | 1,307 | 1,360 | 1,397 |
| Revenue Passengers / Service Hour | 5.4 | 5.5 | 5.5 | 5.5 | 5.5 |
| COST EFFICIENCY | | | | | |
| Total Cost Recovery | 14.8% | 14.6% | 14.6% | 14.5% | 14.5% |
| Operating Cost Per hour | $49.63 | $49.40 | $49.83 | $50.56 | $51.16 |
| Cost per Revenue Passenger | $9.71 | $9.57 | $9.70 | $9.80 | $9.79 |

## Transit Industry Benchmarks and BC Transit's Relative Performance

### Victoria Regional Transit System

A review of comparative industry performance to the Victoria Regional Transit System is provided for similar transit systems using data supplied by the Canadian Urban Transit Association (CUTA), and is presented in the table below.

Victoria was generally in the mid-range on the basis of standard measures of efficiency and effectiveness. These results were viewed positively as this system has higher wage and benefit costs. Further, many of the comparable systems operate in high-density transit service areas, without significant suburban fringe or rural areas included, which reduces costs and improves ridership per service hour. When Victoria's operating costs are normalized to reduce the effect of the wage differential, the Victoria System's relative performance improves further. In addition, the 2001/02 fiscal year included a work stoppage as well as significant restructuring costs. In particular, these factors combined to increase administrative costs per hour relative to prior years. The 2002/03 forecast for administrative expenses is $9.12/hour. In addition, most of the comparable systems are line departments within a municipality, with central corporate services such as payroll, human resources and legal services not allocated to the transit operation.

**BC Transit**
**Transit System Comparison**
**Based on 2001 CUTA Transit Fact Book Data**

| | *BC Transit Victoria BC 13 day strike | Saskatoon SK | London ON | Hamilton ON | Outaouais PQ | Longueuil PQ | Total Population Group II (150k-400k) | Municipal Systems Program | **Coast Mountain **Bus Only** Vancouver BC 128 day strike |
|---|---|---|---|---|---|---|---|---|---|
| Cost Recovery | 50% | 50% | 65% | 58% | 63% | 49% | 54% | 37% | 40% |
| Operating Cost / Passenger | $2.30 | $2.12 | $2.01 | $2.15 | $2.27 | $2.41 | $2.40 | $2.77 | $3.76 |
| Rides / Capita | 56.52 | 37.25 | 47.03 | 48.47 | 60.07 | 87.41 | 45.14 | 17.95 | 28.98 |
| Passengers / Hour | 32.77 | 30.22 | 32.95 | 35.11 | 53.58 | 44.25 | 35.21 | 23.42 | 25.81 |
| Transit Operations Expenses / Hour | $50.26 | $43.37 | $41.41 | $45.90 | $75.57 | $58.47 | $53.46 | | |
| Vehicle Maintenance Expenses / Hour | $12.33 | $10.58 | $15.85 | $17.76 | $24.78 | $22.98 | $16.62 | | |
| Plant Expenses / Hour | $2.04 | $3.68 | $3.57 | $2.87 | $4.08 | $7.18 | $4.62 | | |
| Admin Expenses / Hour | $10.62 | $6.46 | $5.45 | $9.05 | $16.28 | $17.94 | $9.88 | | |
| Operating Cost / Hour | $75.25 | $64.09 | $66.29 | $75.58 | $121.50 | $106.56 | $84.59 | $64.87 | $97.11 |
| Operator Top Hourly Wage Rate | $22.33 | $17.63 | $18.53 | $20.46 | $20.27 | $20.20 | $19.12 | $19.33 | $22.59 |
| Operator Paid Hrs/Total Vehicle Hours | 1.40 | 1.32 | 1.21 | 1.52 | 1.40 | 2.45 | 1.54 | | |
| Operator Hourly Pay per Total Vehicle Hour | $31.30 | $23.34 | $22.35 | $31.20 | $28.38 | $49.42 | $29.53 | | |
| Average Fare | $1.15 | $1.06 | $1.30 | $1.25 | $1.42 | $1.17 | $1.29 | $1.01 | $1.51 |

Note: * Included in Victoria Operating Cost/Hr is $1.25 one-time restructuring costs

Note: ** Data includes both Sub & Trolley (excludes seabus service). Data has been updated (04/05/) to reflect Coast Mtn. Associated Expenses

## Municipal Systems Benchmarking

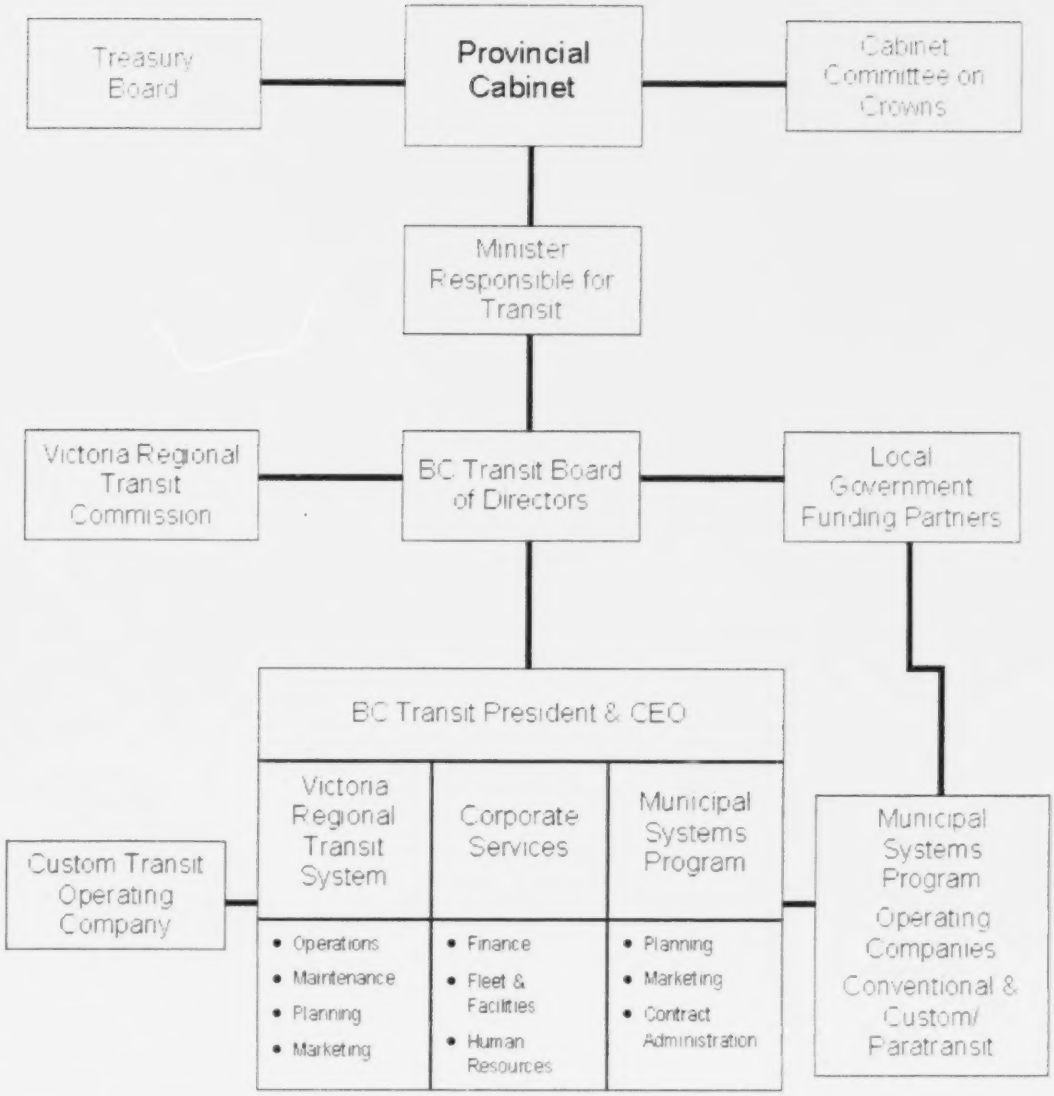
The Municipal Systems Program is benchmarked against comparative data from CUTA. The results are for the most recent year (2001 or 2001/02). The transit systems selected are those deemed to be most comparable based on system size, community profile and ridership.

As shown in the table below, conventional transit system performance is tracking favourably relative to similar transit systems. This is attributed to the benefits of BC's competitive public/private partnership approach to providing the service. As previously noted, most of the comparable systems are line departments within a municipality, with central corporate services such as payroll, human resources and legal services not allocated to the transit operation.

**BC Transit - Municipal Systems**
**Conventional Transit System Comparison**
**Based on 2001 CUTA Transit Fact Book Data**

| | Municipal Systems Program | CUTA population groups III & IV (under 150,000) | Lethbridge, Alberta | Kingston, Ontario | Moncton, N. Brunswick | Brandon, Manitoba | Timmins, Ontario | Fredericton, N. Brunwick |
|---|---|---|---|---|---|---|---|---|
| Operating Cost / Hour | $64.87 | $67.27 | $55.98 | $55.58 | $60.42 | $61.41 | $90.52 | $61.45 |
| Operating Cost / Passenger | $2.77 | $2.69 | $1.79 | $2.43 | $2.65 | $3.33 | $5.16 | $3.06 |
| Rides / Capita | 17.95 | 19.67 | 33.04 | 22.36 | 14.34 | 19.51 | 13.46 | 17.26 |
| Passengers / Hour | 23.42 | 24.96 | 31.31 | 22.88 | 22.76 | 18.46 | 17.56 | 20.10 |

## BC Transit
## Governance Structure



## PERFORMANCE MEASURES AND TARGETS - CORPORATE SUMMARY

### Goal 1 - Establish a new and sustainable funding and governance framework.

| Objectives | Strategies | Performance Measures/ Targets |
|---|---|---|
| Develop a new sustainable funding and governance framework to accommodate future cost increases and local system expansion priorities | •Phase 1 – Find efficiencies, eliminate low priority service and secure funding flexibility for 2003/04<br>•Phase 2 – Gather local government input and formulate funding governance and strategy proposal to province | •Ability to maintain existing service levels and implement modest expansions in 2004/05 and 2005/06<br>•Approval by provincial government of new and sustainable structure by start of 2004/05 fiscal year |
| Support local government partners and the provincial government in their efforts to secure an agreement for federal funding for public transit | •Coordinate efforts with CUTA, FCM and others to garner federal funding support for transit. Full briefing to all Members of Parliament in BC | •Advance federal funding commitment to public transit |

### Goal 2 — Maximize the efficient and cost-effective use of resources in the provision of safe, innovative and customer-oriented services to meet present and evolving market demands.

| Objectives | Strategies | Performance Measures/ Targets |
|---|---|---|
| In the VRTS (2003/04) plan and deliver service within the protected level of provincial funding and without material changes to local taxes, fares or cost-sharing | •Find efficiencies and eliminate low priority service as approved by Victoria Regional Transit Commission | •Deliver approved service within protected funding and without significant additional taxes<br>•See Table 3 for corporate status quo budget |
| In the Municipal Systems (2003/04) address the shortfall of $2.3 million necessary to fund existing service levels | •Find efficiencies and eliminate low priority services<br>•Pursue an interim flexible funding arrangement for 2003/04 through Order-In-Council | •Ability for local government to fund a higher percentage of transit costs if necessary to maintain existing service and desired modest expansions<br>•See Table 3 for corporate status quo budget |
| In the VRTS and Municipal Systems in Years 2 and 3 plan and deliver services within a new sustainable funding and governance framework | •Develop services as prescribed in locally-approved plans | •See Table 4 & 5 for performance measures and benchmarks<br>•Establish and implement service plan as approved by local funding partner in 2004/05 and 2005/06 |

| | | |
|---|---|---|
| Improve workforce productivity, efficiency and effectiveness | •Include cost containment and workforce efficiency objectives in collective agreement negotiations | •Increase workforce productivity through new more flexible work practices |
| Improve transit safety for passengers and transit workers, and reduce the cost of accidents | •Reduce WCB claims through targeted risk assessment<br>•Emphasize safety and training in RFP processes<br>•Reduce motor-vehicle accident rates | •5% below 2003/03 experience<br>•Specific criteria in RFP evaluation of safety / training program proposals<br>•Preventable accidents reduced by 5% by 2005/06 |
| Improve the acquisition and utilization of available resources | •Continue to refine the RFP process to maximize benefit<br>•Review and improve business practices related to facilities and fleet | •Full implementation over regular 5-year RFP cycle using new market based criteria<br>•Implementation of enhanced enterprise-wide management systems covering all primary corporate business elements by the end of 2004<br>•Maintain cost increases below the rate of inflation beyond 2003/04 |

**Goal 3 — Plan and deliver transit services that meet local land-use and growth priorities, while furthering the development of safe, healthy communities and a sustainable environment.**

| Objectives | Strategies | Performance Measures/ Targets |
|---|---|---|
| Identify and adopt new technologies and service delivery to enhance customer service, environmental quality and transit's community benefits | •Next generation fuel cell engine testing (Ballard)<br>•Reduce fuel consumption with improved technology, operator training and shared purchases | •Fuel cell test results available by second quarter of 2004<br>•Enhanced operator information / training for reduced fuel consumption<br>•Implement alternate service in rural flow performing off peak markets area in Victoria and other centres |
| Support the Capital Regional District's Regional Growth Strategy | •Develop 20-year regional transportation strategy for CRD's Regional Growth Strategy | •Finalization of regional transportation strategy report to the CRD Board by September 2003 |
| In the Municipal Systems Program support local and regional government community planning initiatives and municipal empowerment | •Continue to deliver planning program to meet local government priorities | •Ongoing |
| Receive federal funding in support of an Urban Transportation Showcase Program (UTSP) for the Victoria Region | •Work with municipal partners and other stakeholders to prepare a formal detailed submission on a Victoria UTSP proposal | •Submission deadline-May 16/03 |